

## Overview of Wenatchee Local Revitalization Financing

The City was awarded a grant from the State of Washington that is essentially associated Washington's State's version of tax increment financing, called Local Revitalization Financing (LRF). Washington is now among 48 other states that have made this tool available to communities for economic development. The details of tax increment financing are very complex; however, the basic intent behind the program is to encourage the City to invest in infrastructure thereby promoting economic development. As economic development occurs, growth in taxes paid to the state is granted back to the community to pay for the City's original investment. In other words, growth in some of the taxes that normally would go to the State of Washington stays in Wenatchee. This program is most easily demonstrated with the following example:

The City is investing in enhancing the Wastewater Treatment Plant by controlling odors and improving its appearance. This project is an example of infrastructure investment that directly encourages redevelopment of the South Node of the waterfront. Upon redevelopment, the State of Washington receives growth in both property and sales tax revenue. Once a threshold of private redevelopment activity is reached, the State grants back to the City of Wenatchee a portion of taxes collected from the associated economic growth within Wenatchee. This grant totals \$500k per year for 25 years. This grant of funds from the state is utilized by the city to pay for infrastructure improvements listed below.

The following projects were written into the LRF District include:

1. Wastewater Treatment Plant Odor and Visual Upgrades
2. Pybus Market
3. Public Works Site Improvements - Landfill mitigation
4. Parking Improvements - Ninth Street
5. Orondo Gateway

The key to the LRF program is timing. The State of Washington only grants the City \$500k per year for 25 years once the State receives growth in tax revenue from economic development. This timing element is why economic redevelopment of the South Node is so important. The redevelopment of the South node as outlined by the community plan and confirmed by the BergerABAM study is very capable of achieving the tax revenue growth required under this grant program. Proactively pursuing development in the District improves the opportunity for maximizing the LRF program. Additionally, this program along with other grant sources provides the greatest opportunity for improving the overall economic health of the community.

Putting this all into perspective, the opportunity to increase the property values in the District with new development totals conservatively low at \$44,000,000. The opportunity to increase annual gross retail sales on the waterfront totals \$28,000,000. The opportunity to realize construction activity totals \$107,000,000. These estimates are conservatively low to account for uncertainty in development patterns. The estimates also do not account for the overall improvement of the economic health of the adjoining commercial districts, job creation, and all of the other benefits that come with a healthy economy.

Learn more at the Department of Revenue Website.

<http://dor.wa.gov/Content/DoingBusiness/LocalRevitalizationFinancing.aspx>